

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 2766 - HB 3446

February 13, 2012

SUMMARY OF BILL: Enacts the Annual Coverage Assessment Act of 2012, which establishes an annual coverage assessment on hospitals of 4.52 percent of a covered hospital's annual coverage assessment base and shall be paid in equal quarterly installments. The Bureau of TennCare will send a notice of payment and a return form to each covered hospital 30 days prior to the payment date. Imposes a penalty of \$500 per day on a hospital that does not pay the assessment by the due date. Creates provisions for the collection of assessments if a hospital ceases to operate after the effective date of the Act. Prohibits a covered hospital from increasing charges or adding surcharges based on or as a result of the annual coverage assessment. Prohibits a TennCare managed care organization from implementing across the board reductions in rates that are in existence on July 1, 2012, for hospitals and physicians by category or type of provider, unless mandated by the Centers for Medicare and Medicaid Services (CMS). Creates the Maintenance of Coverage Trust Fund consisting of all annual coverage assessment collections and investment earnings credited to the assets of the Fund. Funds collected along with federal matching funds shall be expended for benefits and services that would have been subject to reductions or eliminations from the FY11-12 TennCare budget and for one-time funding for specific TennCare programs in FY12-13.

The implementation of the annual coverage assessments is dependent on approval by CMS. Critical access hospitals, state mental health hospitals, rehabilitation and long-term acute care hospitals, St. Jude Children's Research Hospital, and state and local government hospitals are exempt from the annual coverage assessment. Beginning September 1, 2012, and on a quarterly basis thereafter, TennCare is required to report the status of the determination and approval by CMS, the balance of the funds, and the extent to which the funds have been used to both Finance, Ways and Means Committees, the Senate Health and Welfare Committee, and the House Health and Human Resources Committee. The provisions of the bill will take effect July 1, 2012, and will expire on June 30, 2013.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – \$449,800,000/FY12-13/

Maintenance of Coverage Trust Fund

Increase State Expenditures – \$449,800,000/FY12-13/

Maintenance of Coverage Trust Fund

Increase Federal Expenditures – \$868,751,800/FY12-13/

Maintenance of Coverage Trust Fund

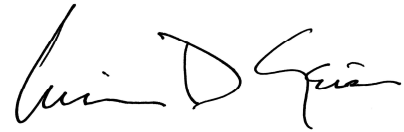
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Assumptions:

- According to the Bureau of TennCare, the 4.52 percent annual coverage assessment on hospital net revenues (as reported to CMS) will result in an increase in revenue to the Maintenance of Coverage Trust Fund (MCTF) of \$449,800,000.
- The bill requires \$16,000,000 be provided to the critical access hospitals. According to TennCare, \$6,000,000 of this amount will be 100 percent state funds and will not receive a federal match because it is above the limit within the federal waiver.
- According to the Bureau, \$443,800,000 (\$449,800,000 - \$6,000,000) will be expended at a state rate of approximately 33.812 percent and will receive federal matching funds at a rate estimated at 66.188 percent resulting in an increase in federal funds of approximately \$868,751,800.
- The total increase to the MCTF is approximately \$1,318,551,800 (\$443,800,000 + \$6,000,000 + \$868,751,800).
- Approximately \$866,155,000 (\$296,835,600 state + \$569,319,400 federal) of this amount will be expended towards replacing the proposed budget reductions and \$452,396,800 (\$152,964,400 state + \$299,432,400 federal) will be expended towards hospitals for unreimbursed costs of providing services to TennCare enrollees.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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